

TOWN OF DELMAR
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005

**TOWN OF DELMAR
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Delmar
3231 Main Street
Delmar, Delaware

We have performed the procedures enumerated below, which were agreed to by Town of Delmar and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2005 on Page 4. The Town of Delmar's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over Municipal Street Aid grant funds from discussion with management and report internal control weaknesses.

During completion of the program checklist, no internal control weaknesses over the Municipal Street Aid funds were noted.

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Town's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2005. Detail any instances of noncompliance.

FINDING NO. 05-1 - During completion of the Town of Delmar's program checklist for the Municipal Street Aid grant, it was noted that the Municipal Street Aid grant monies were not deposited into the Municipal Street Aid cash account upon receipt as required by Delaware Code [30 Del. C. §5165(a)]. The Town directly deposited \$ 45,056.52 into the Town's general operating cash account. The failure to comply with the grant's requirements could result in the loss of grant funding.

RECOMMENDATION - The Town should deposit the grant monies into the Municipal Street Aid cash account.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town of Delmar shall comply with the State of Delaware's guidelines for Municipal Street Aid Funding by depositing the grant monies into the Municipal Street Aid cash account. Historically the Town of Delmar has complied with the guidelines and request that this shall not prevent receiving future grant funding from the State of Delaware."

FINDING NO. 05-2 - During completion of the Town of Delmar's program checklist for the Municipal Street Aid grant, it was noted that monies used for Municipal Street Aid Fund expenditures were not properly documented at the date of deposit ([30 Del. C. §5165(a)(2)] and "Guidelines for Municipal Street Aid funding"). The Town made an error when depositing the grant of \$ 45,056.52 directly into the general fund prior to documenting the expenditures. Expenditures totaled \$ 43,583.02 before the deposit and \$ 1,472.98 after the deposit. The expenditures, however, were documented before the grant's year end at June 30, 2005. The failure to comply with the grant's requirements could result in the loss of grant funding.

RECOMMENDATION - The Town should properly document expenditures that are eligible prior to depositing Municipal Street Aid funds into the general operating account. The Town should reimburse the Municipal Street Aid account for the \$ 1,472.98 of expenditures that were not paid at the date of deposit.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town of Delmar shall comply with the State of Delaware's guidelines for Municipal Street Aid Funding by properly documenting allowable expenditures prior to depositing the Municipal Street Aid funds into the general operating account. Again, historically the Town of Delmar has complied with the guidelines and request that this shall not prevent receiving future grant funding from the State of Delaware."

FINDING NO. 05-3 - During completion of the Town of Delmar's program checklist for the Municipal Street Aid grant, it was noted that their financial report was not properly prepared or reviewed [30 Del. C. § 5165(b)(2)]. The interest income earned on the Municipal Street Aid funds were netted against bank charges, thereby understating interest income by \$ 120.00 and total expenditures by \$ 120.52. As a result, the ending fund balance was overstated by \$.52 on the annual report. Failure to prepare accurate financial reports could result in the loss of grant funding.

RECOMMENDATION - The Town should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town of Delmar shall comply with the State of Delaware's guidelines for Municipal Street Aid Funding by not netting the bank charges against the interest income and shall note them as an expense. Furthermore, the Town shall be more thorough in preparing the annual report by examining the amounts to ensure accuracy."

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts and violations of provisions of contracts or grant agreements and abuse or misuse of state funds were noted.

4. Prepare the Town's Schedule of Municipal Grants received during the year ended June 30, 2005.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Town's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Town of Delmar's Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Jefferson, Ulan, Doane & Starnes, P.A.

Georgetown, Delaware
February 6, 2006

**TOWN OF DELMAR
SCHEDULE OF MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005**

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<u>Grants</u>	<u>Amounts Received</u>
Municipal Street Aid	\$ 45,056.52
Police Pension	36,195.83
State Aid to Local Law Enforcement	7,574.19
Emergency Illegal Drug Enforcement	6,094.45

See independent accountant's report on applying agreed-upon procedures.